

SUBSCRIPTION - FOR DEVELOPERS PRESENTATION



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**Subscription -
for developers**

Subscription - what is it and how does it work?

As an alternative to purchasing Rack Extensions one by one from the Propellerhead Shop, subscription makes it possible for a customer to subscribe monthly (30-day periods) to a selection of Rack Extensions of their choice. Subscription only applies to Rack Extension devices – not to software (e.g. Reason), ReFills or VSTs.

The customer can subscribe to one single Pack at a time. That is, you cannot combine Packs. Currently, there are three Subscription Packs to choose between:

- **Standard**

The Standard Pack gives the user access to Rack Extensions for a total value of €/US\$ 400.-.

The 30-day subscription fee for the Standard Pack is €/US\$ 9.-.

- **Medium**

The Medium Pack gives the user access to Rack Extensions for a total value of €/US\$ 1000.-.

The 30-day subscription fee for the Medium Pack is €/US\$ 19.-.

- **Large**

The Large Pack gives the user access to Rack Extensions for a total value of €/US\$ 3000.-.

The 30-day subscription fee for the Large Pack is €/US\$ 29.-.

It's the full price of a Rack Extensions that is counted when subscribed to. Rebates and promos have no effect. Once a Rack Extension is added to a subscription, its price doesn't change, even if the developer releases an update and raises the price - or lowers the price, or makes it free.

Not all Rack Extensions are available for subscription; it's up to the Rack Extension developer to decide if they want to participate or not. The "approved" Rack Extensions are listed on the subscription page in the Propellerhead Shop, and have an "Add to subscription" button on their product page.

The shortest period to subscribe to a specific Rack Extension is 30 days – the so-called Exchange Lock period. The customer can then choose to replace/exchange Rack Extensions in his/her subscription Pack after the 30-day Exchange Lock period has expired.

The customer can also choose to upgrade or downgrade the subscription to a larger or smaller Pack. Upgrading to a larger Pack takes effect immediately, whereas downgrading to a smaller Pack takes effect after the current 30-day billing period has ended.

Subscription - detailed explanations

Terminology

In the descriptions and examples below the following terminology is used:

Term	Description
Subscription	Renting Rack Extensions on a monthly (30-day period) basis.
Pack	A) The three tiers (Standard/Medium/Large) B) The set of Rack Extensions the customer rents. This could be a pre-defined set, or a custom set.
Billing period	30 days between billing dates (when money is drawn from the user's credit card).
Billing date	The day a billing period is renewed and money is drawn from the user's credit card.
Exchange Lock period	30 days after a Rack Extension exchange the Pack content can't be changed. This means that the shortest period a customer can subscribe to a specific Rack Extension is 30 days.
Proceeds	The amount of money that is added to Propellerhead's account after card costs etc. have been deducted.
Developer proceeds	The developer's share of a subscription.
COGS	Cost Of Goods Sold

What is required by me as a developer?

Not much really. The process is automated and your Rack Extensions automatically become part of the subscription offering as soon as they become available in the shop, as per the license agreement. Please contact us directly if you do not want your Rack Extensions to be part of the subscriptions offering.

How the billing works

This is how the billing works:

- **Day 1, a user signs up for a subscription. The proceeds (minus card fees etc), are billed to Propellerhead.**
- **Day 31, COGS and developer proceeds are calculated for the previous Billing period (30 days).**
COGS and developer proceeds are calculated based on the attached spreadsheet "Schedule 15_1_010917.pdf".
- ! **IDT products have lower developer proceeds since 20% are deducted for use of IDT.**
- **Developer proceeds are fixed, i.e. they do not depend on the Pack configuration. Here's an example:**
Let's say user A has filled up their Standard pack to exactly €400, and product X belongs to tier 19 (€99). The developer proceed for 30 days is then €1,24.

User B also has a Standard pack, but only product X. The developer proceeds is still €1,24. The rest of the "unused" proceeds go to Propellerhead.
- **Developer proceeds are paid out to the developers 45 days after the COGS was assembled for the preceding 30-day period (see "[Subscription flow - Standard \(exchanges within the same Pack\)](#)").**
- **Price changes or promotions do not affect the developer proceeds in existing subscriptions.**
It's always based on the list price at the date the subscription started.
- **Promotions do not affect developer proceeds for new subscriptions.**
It's always based on the list price.
- **If a user upgrades in the middle of a billing period, the overlapping time is not refunded to the user.**
The proceeds so far are automatically added to the developers Admin area.

Exchange billing example:

1. User Jane Doe signs up for a Standard pack (€9) on day 1.
2. The proceeds (€6,92) is paid to Propellerhead's account.
3. Jane's pack contains Expanse Hyperwave Synthesizer by Blamsoft. It is currently on sale for €59, but for Subscriptions the full price €149 is used.
4. Jane's pack also contains A-List Power Drummer from Propellerhead at €99.
5. On day 1, a 30-day Exchange Lock period begins, so for the first billing period no changes can be made.
6. On day 31, the COGS and developer proceeds for the first billing period are calculated according to the price list:
 - a) Expanse is at tier 24, and the developer proceed for Standard is €1,87.
 - b) Power Drummer is at tier 19, where the standard developer proceed is €1,24. But since its an IDT, we check in the IDT column and get a developer proceed of €0,88.
7. On day 41, Jane replaces A-List Power Drummer with A-List Classic Drummer.
8. On day 61, the COGS and developer proceeds for the second billing period are calculated:
 - a) For Expanse, there is no difference from the first billing period: 30 days use equals €1,87.
 - b) 10 days of A-List Power Drummer use equals $1/3 * 0,88 = €0,29$ for Propellerhead.
 - c) 20 days of A-List Classic Drummer use equals $2/3 * 0,88 = €0,59$ for Propellerhead.

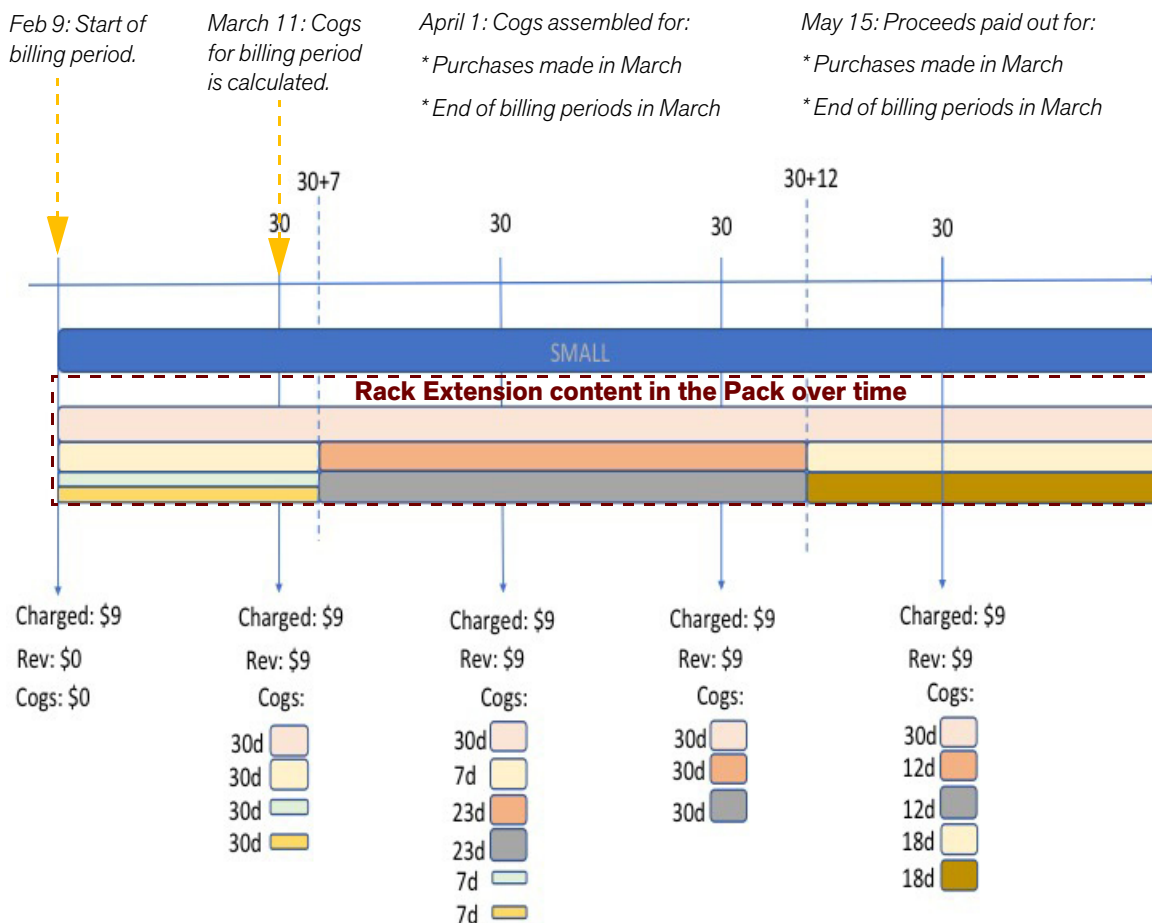
Pack Upgrade billing example (continued from the previous example above):

9. On day 71 (10 days after billing date), Jane upgrades to a Medium subscription. She also removes A-List Classic Drummer and adds AC-1 from Robotic Bean at €25. A new billing and Exchange Lock period starts.
10. On the same day, the COGS and developer proceeds for the third (truncated) billing period are calculated:
 - a) Jane has had Expanse for 10 days, and Blamsoft will get $1/3 * €1,87 = €0,62$.
 - b) The same applies to A-List Classic Drummer, so Propellerhead will get $1/3 * 0,88 = €0,29$.
11. On day 101, the COGS and developer proceeds for the fourth billing period are calculated:
 - a) Jane has had Expanse for 30 days of a Medium pack, which means that Blamsoft will get €1,57.
 - b) Jane has had AC-1 for 30 days, which at tier 4 equals €0,26.

Subscription flow examples

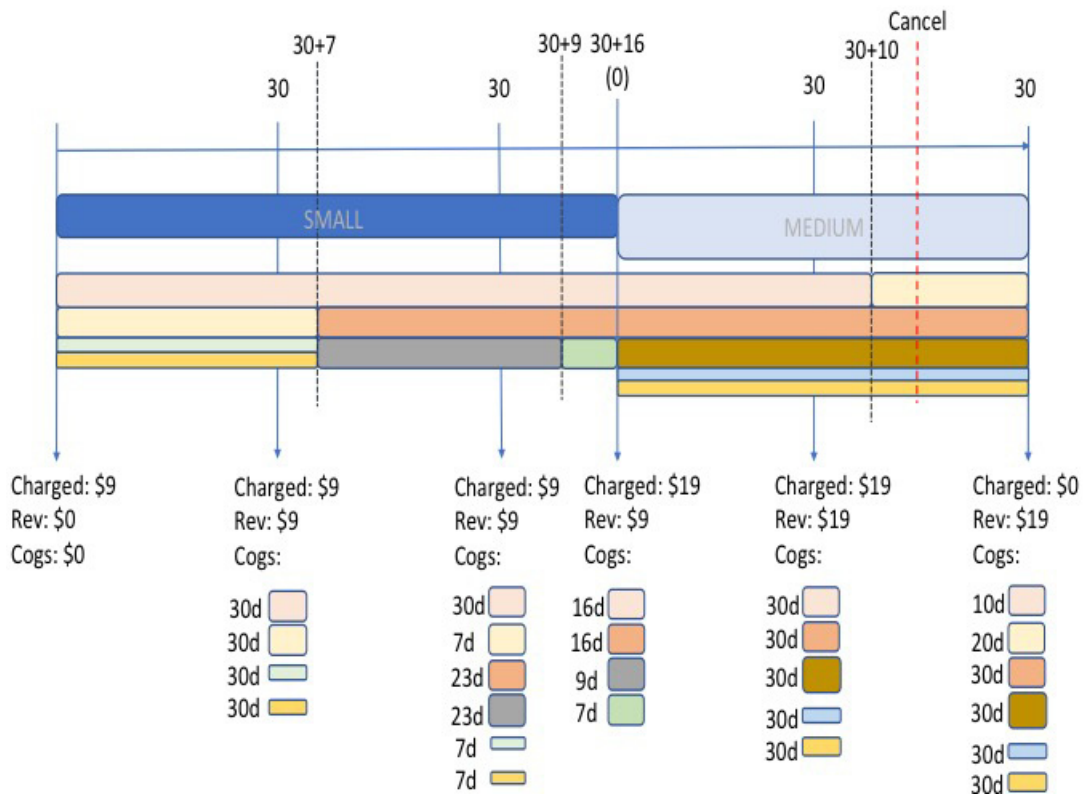
Below are some examples of typical subscription flows.

Subscription flow - Standard (exchanges within the same Pack)



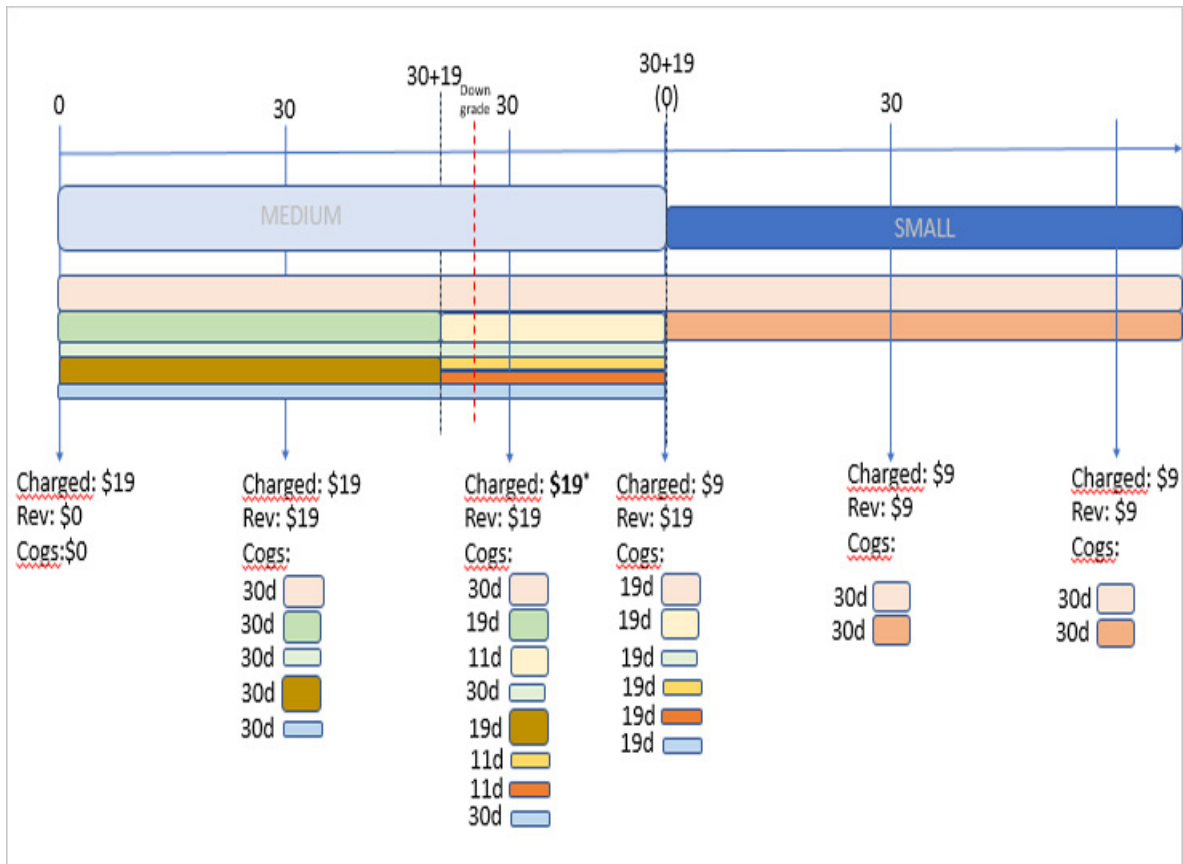
- The user can exchange Rack Extensions any time after a 30-day Exchange Lock period.
- Exchanging products automatically triggers a new 30-day Exchange Lock period.
- The user is charged every 30 days, independently of when a product exchange occurs.
- Revenue is booked 30 days after billing for the previous 30 days.
- Cogs are calculated 30 days after billing for the previous 30 days.
- Cogs are calculated on the installed time per product in the previous 30 day period.

Subscription flow - Upgrade to a larger Pack (and later cancel the subscription)



- When upgrading Pack the user is charged full Pack price on the day of upgrade.
- Overlapping payment will not be repaid.
- When the user upgrades, the previous Pack is unlocked for exchanging products even if in an Exchange Lock period (=incentive to upgrade).
- Exchange when upgrading takes effect immediately (=incentive to upgrade).
- A Pack upgrade resets the billing period.
- A Pack upgrade automatically starts another 30 day Exchange Lock period.

Subscription flow - Downgrade to a smaller Pack



- A downgrade to a smaller Pack takes effect at the next billing date.
- The Exchange Lock period is reset at billing date – the user cannot exchange products until 30 days after reset, unless they upgrade again.

Subscription reporting

The sales reporting of subscribed Rack Extensions works a little bit differently compared to “directly purchased” Rack Extensions. This is how the reporting works for subscribed Rack Extensions:

- 1. A notification arrives in your developer back-end signifying that a customer has chosen one of your Rack Extensions to be part of their subscription pack.**
- 2. The subscription appears in your account as 'SUBSCRIPTION' with a value of 0.00 notated next to it.**
- 3. Once the 30 day Billing period is over your developer proceeds are calculated by how long your Rack Extension(s) has been part of their subscription package.**
This value is then accredited to the original 'SUBSCRIPTION' transaction with the correct developer proceeds reported.
- **If a customer upgrades to a higher value pack, the developer proceeds are automatically calculated and added to the correct 'SUBSCRIPTION' transaction.**